

Message Text

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TAGS: EGEN EINV MY

SUBJ: GOM DEFENDS ITS BUMIPUTRA AND FOREIGN INVESTMENT POLICIES

1. SUMMARY: SENATOR FROM KELANTAN DATUK NIK HASSAN RECENTLY TOOK GOM TO TASK FOR: A) SLOW GROWTH IN MALAY SHARE OF ECONOMY; B) "DEVIATIONS IN PRIVATE SECTOR"; C) FAILURE TO HAVE GOM OWNED AIR-LINE AND SHIPPING COMPANY INSURE WITH MALAYSIAN FIRMS; D) FAILURE OF BANK NEGARA (CENTRAL BANK) TO ACT AGAINST IMPROPER ACTS BY PRIVATE BANK OFFICERS; AND E) ALLOWING FOREIGNERS TO CONTROL 60 PERCENT OF MALAYSIAN ECONOMY. DEPUTY MINISTER OF FINANCE CHONG HON NYAN OFFERED CAREFULLY REASONED REBUTTAL TO POINTS B, C AND D. THEN, IN ONE OF MOST INTERESTING ABOUT-FACES IN RECENT MALAYSIAN POLITICAL SCENE, ABDULLAH BIN AHMAD, LEADING MALAY ECONOMIC NATIONALIST AND CHARTER MEMBER OF KELANTAN "MAFIA", ASSUMED ROLE OF DEFENDER OF PRIVATE FOREIGN BUSINESS INTERESTS, PRESUMABLY AT PM'S BIDDING. HE ALSO DENIED NIK HASSAN'S CHARGES RE LACK OF MALAY PROGRESS UNDER FIRST AND SECOND MALAYSIA PLANS. REAL MEANING OF THIS EXCHANGE MAY BE THAT IT IS FURTHER INDICATION OF PRIME MINISTER'S PRAGMATIC VIEW OF FOREIGN INVESTMENT AND UNWILLINGNESS TO BE STAMPEDED ON RACE ISSUE. END SUMMARY.

2. ON JANUARY 26 IN COURSE OF PARLIAMENTARY DEBATE, DATUK NIK HASSAN BIN NIK YAHYA, UNITED MALAYS NATIONAL ORGANIZATION (UMNO)
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SENATOR FROM KELANTAN, SHARPLY CRITICIZED GOM POLICIES RE IMPL-

MENTATION OF "TUN RAZAK'S BRAINCHILD -- THE NEW ECONOMIC POLICY". REFERRING TO PROGRESS BY BUMIPUTRAS (ETHNIC MALAYS), HE STATED THAT "AFTER 10 YEARS WITH TWO DEVELOPMENT PLANS, THIS DEPRIVED GROUP HAS ONLY ATTAINED A MISERABLE THREE PERCENT OF THE NATION'S ECONOMIC ACTIVITIES". HE ATTRIBUTED THIS STATE OF AFFAIRS TO "DEVIATIONS" ON PART OF VARIOUS GOM DEPARTMENTS, ESPECIALLY SINGLING OUT ECONOMIC PLANNING UNIT IN PRIME MINISTER'S DEPARTMENT FOR BLAME.

3. NIK HASSAN ALSO CRITICIZED GOM FOR IMPROPER CONTROL OF PRIVATE SECTOR. HE SPECIFICALLY CALLED MALAYSIAN CITIZENRY'S ATTENTION TO FACT THAT "FOREIGNERS HOLD MORE THAN 60 PERCENT OF THE NATION'S ECONOMY". IN CONTEXT OF PRIVATE SECTOR, HE CRITICIZED GOM FOR THREE SPECIFIC "DEVIATIONS": A) PRIVATE SECTOR ALLOWED TO HOLD MAJORITY SHARE OF MALAYSIAN INTERNATIONAL SHIPPING CORPORATION (MISC); B) MISC AND MALAYSIAN AIRLINES SYSTEM (MAS) GAVE LITTLE OF THEIR INSURANCE BUSINESS TO PERNAS (GOVERNMENT CORPORATION) INSURANCE SUBSIDIARY; AND C) GOVERNOR OF BANK NEGARA (CENTRAL BANK) TAN SRI ISMAIL BIN MOHD. ALI HAD OPENLY ADMITTED THAT PRIVATE BANK OFFICIALS HAD "DEVIATED FROM BANK NEGARA POLICIES FOR THEIR OWN SELFISH ENDS". NIK HASSAN DEMANDED THAT GOM EXPLAIN WHAT ACTIONS HAD BEEN TAKEN AGAINST THESE UNSCRUPULOUS BANKERS. HE ALSO CALLED FOR LEGISLATION TO ENSURE THAT MALAYSIA'S ECONOMY WOULD NOT BE SABOTAGED BY "CAPITALISTS WHO COULDN'T CARE TWO HOOTS ABOUT THE COUNTRY".

4. GOM WAITED TWO DAYS, UNTIL JANUARY 28, TO REPLY IN DEWAN NEGARA (SENATE) TO NIK HASSAN'S CHARGES. FIRST, TAN SRI CHONG HON NYAN, DEPUTY MINISTER OF FINANCE, RESPONDED TO CHARGES CONCERNING BANK NEGARA'S ACTIONS, MISC AND INSURANCE ISSUE. HE STATED THAT BANK NEGARA HAD TERMINATED THE SERVICES OF DIRECTORS GUILTY OF BREAKING PROVISIONS OF THE BANK NEGARA ACT. THEY HAD ALSO BEEN FINED AND THEIR BANKS STOPPED FROM GIVING OUT FURTHER QUESTION-ABLE LOANS. REGARDING MISC AND MAS INSURANCE, GHONG POINTED OUT THAT MALAYSIAN INSURANCE FIRMS, INCLUDING THE PERNAS SUBSIDIARY, HAD ACCEPTED 20 PERCENT OF COVER FOR MAS AND SAME AMOUNT FOR MISC. REMAINDER PLACED WITH LARGE NUMBER OF FOREIGN FIRMS IN ORDER TO PROTECT DOMESTIC INSURANCE COMPANIES FRM BANKRUPTCY IF INSURANCE HAD TO BE INVOKED BECAUSE OF LOSS OF EXPENSIVE AIR-PLANE OR SHIP. HE POINTED OUT THAT LIABILITY FOR SINGLE JET LIMITED OFFICIAL USE

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AIRCRAFT MORE THAN COMBINED ASSETS OF ALL MALAYSIAN INSURANCE COMPANIES. CHONG ALSO SAID THAT NIK HASSAN WAS INCORRECT IN HIS ALLEGATION THAT MISC WAS CONTROLLED BY PRIVATE SECTOR, POINTING OUT THAT GOM AND OTHER PUBLIC BODIES HELD 61 PERCENT OF COMPANY'S OUTSTANDING SHARES.

5. THEN, IN IMPROBABLE FOLLOW-ON, ABDULLAH BIN AHMAD, A DEPUTY

MINISTER IN PRIME MINISTER'S OFFICE, LEAPT TO DEFENSE OF FOREIGN PRIVATE INVESTMENT IN MALAYSIA AND GOM'S DEVELOPMENT POLICIES FOR BUMIPUTRAS. REGARDING PRIVATE FOREIGN INVESTMENT, ABDULLAH MADE FOLLOWING STATEMENT IN CAPACITY AS A GOVERNMENT SPOKESMAN DURING JAN 28 DEBATE IN SENATE: QUOTE ALTHOUGH THE FOREIGN SECTOR OWNS THE BIGGEST SHARE IN THE CORPORATE SECTOR OF THE ECONOMY, IT DOES NOT MEAN THAT IT HOLDS THE ECONOMY AS A WHOLE, BECAUSE THE SECTOR FORMS ONLY PART OF THE NATIONAL ECONOMY. IT SHOULD BE NOTED THAT THE 60.7 PERCENT FOREIGN OWNERSHIP IN THE CORPORATE SECTOR FORMS A LOWER PERCENTAGE IN THE ECONOMY AS A WHOLE. I FEEL THAT THIS MUST BE CLEARLY UNDERSTOOD SO THAT THERE IS NO MISUNDERSTANDING BETWEEN THE GOVERNMENT AND THE PRIVATE SECTOR, AND IF THIS LEADS TO WRONG IMPLEMENTATION OF POLICY, THEN IT WILL UNDO ALL THE WORK OF THE MINISTRY OF TRADE AND INDUSTRY AND THE FEDERAL INDUSTRIAL DEVELOPMENT AUTHORITY TO ENCOURAGE FOREIGN INVESTMENT. UNQUOTE.

7. RE BUMIPUTRA PARTICIPATION, ABDULLAH CLAIMED THAT REAL PROGRESS HAD BEEN ACHIEVED, DENIED THAT THEY OWNED ONLY 3 PERCENT OF NATIONAL WEALTH AND SAID THAT WITH THIRD MALAYSIA PLAN, MALAY SHARE WOULD CONTINUE TO INCREASE.

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ACTION EA-09

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8. COMMENT: THIS EXCHANGE INTERESTING ON SEVERAL DIFFERENT COUNTS. FIRST, ABDULLAH BIN AHMAD HAS PREVIOUSLY BEEN KNOWN AS A MALAY CHAUVINIST. FOR HIM TO ACT AS THE DEFENDER OF FOREIGN PRIVATE INVESTMENT REPRESENTS SIGNIFICANT VOLTE-FACE. SECONDLY,

ABDULLAH MOST CLOSELY IDENTIFIED WITH KELANTAN "MAFIA", CONSISTING AMONG OTHERS OF HIMSELF, TENGKU RAZALEIGH (CHAIRMAN OF PETRONAS), NATIONAL OIL COMPANY) AND FOREIGN MINISTER RITHAUDDEEN. NOW HE PUBLICLY SEEN LEADING GOM COUNTER-ATTACK ON SENATOR FROM HIS HOME STATE. GIVEN REGIONAL NATURE OF MALAYSIAN POLITICAL BLOCKS, THIS IS NOTABLE DEVELOPMENT, PERHAPS REFLECTING GOM PERCEPTION THAT SUCH ANSWER WOULD HAVE GREATER IMPACT COMING FROM ACKNOWLEDGED MALAY NATIONALIST. THIRDLY IS QUESTION OF "60 PERCENT" FOREIGN OWNERSHIP. HERE GOM HOISTED ON OWN PETARD. THIS STATISTIC HAS PREVIOUSLY BEEN USED BY GOM AS CUDGEL WITH WHICH TO POUND FOREIGN BUSINESS INTERESTS BY IMPLYING THAT FOREIGNERS OWNED MOST OF THE ENTIRE ECONOMY. TO EMBASSY'S KNOWLEDGE, THIS IS FIRST INSTANCE IN WHICH GOM HAS FELT OBLIGED TO ARGUE THE REVERSE, I.E., THAT 60 PERCENT FIGURE PERTAINS TO CORPORATE OWNERSHIP ONLY AND FORMS A MUCH LOWER PERCENTAGE OF ECONOMY AS WHOLE (IN THIS CONNECTION, IT IS INTERESTING TO NOTE THAT INTERNATIONAL CHAMBER OF COMMERCE RECENTLY EXAMINED THIS QUESTION AND CONCLUDED THAT FOREIGN CORPORATE OWNERSHIP ACCOUNTED FOR ONLY 15 PERCENT OF TOTAL MALAYSIAN ECONOMY). CLARIFICATION OF THIS POINT BY GOM CONSIDERED NECESSARY PERHAPS BECAUSE FAILURE TO DO SO COULD SADDLE GOM WITH GOAL LIMITED OFFICIAL USE

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UNATTAINABLE SHORT OF REALLY RADICAL (AND UNACCEPTABLE) MEASURES. WHILE STATEMENT COULD HAVE STOPPED THERE, IT IS NOTABLE THAT ABDULLAH ALSO ADDRESSED QUESTION OF "MISUNDERSTANDING" AND ALSO "WRONG IMPLEMENTATION". OUR ASSUMPTION IS THAT ABDULLAH BIN AHMAD'S REMARKS, AS THOSE OF AN OFFICIAL GOM SPOKESMAN IN SENATE, WERE CLEARED WITH PM AND RELECT FIRMER AND MORE PRAGMATIC GUIDANCE ON PRIVATE INVESTMENT. ON HIS PART ABDULLAH, AS A FORMER RAZAK PROTEGE, APPARENTLY IS NOT LOATHE TO SING A DIFFERENT TUNE IN ORDER TO RETAIN HIS POSITION IN THE GOVERNMENT. HOW LONG HE WILL LAST IS DEBATIBLE, GIVEN CONTRAST IN HIS PERSONALITY AND STYLE WITH THAT OF PM. (ABDULLAH BIN AHMAD IS BRASH, ARROGANT AND ACCUSED BY DETRACTORS OF USE OF HIS OFFICE FOR PERSONAL GAINS; DATUK HUSSEIN ONN IS HUMBLE, SELF-EFFACING AND REPORTEDLY INTOLERANT OF CORRUPTION IN HIGH PLACES.)
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